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Jewel Tea Co., Inc.

1956

ANNUAL REPORT



1956 RESULTS IN BRIEF

	1956	1955	PERCENTAGE CHANGE
Retail sales:			
Retail Food Stores.....	\$257,001,731	\$220,926,333	16.3%
Home Service Routes.....	77,753,716	79,449,046	(2.1)
Total.....	\$334,755,447	\$300,375,379	11.4
Earnings:			
Before federal income taxes.....	\$ 11,351,023	\$ 9,733,309	16.6
Net for the year.....	5,653,023	4,736,309	19.4
Reinvested in the business.....	2,817,385	1,918,897	46.8
Earned per share of common stock..	\$ 4.16	\$ 3.49	19.2
Dividends per share of common stock	2.00	2.00	—
Net working capital.....	\$ 27,311,848	\$ 28,318,588	(3.6)
Ratio of current assets to current liabilities.....	2.1 to 1	2.4 to 1	
New property, plant and equipment (net).....	\$ 7,028,804	\$ 4,159,619	69.0
Depreciation provision.....	3,077,397	2,990,215	2.9
Operating units:			
Number of Home Service Routes.	2,000	2,022	
Number of Retail Food Stores....	184	179	
Square feet of floor space.....	1,635,046	1,476,901	
Shareowners.....	7,572	7,273	
Common shares outstanding.....	1,304,449	1,287,625	
Preferred shares outstanding.....	59,039	65,945	
Employees.....	7,976	7,745	

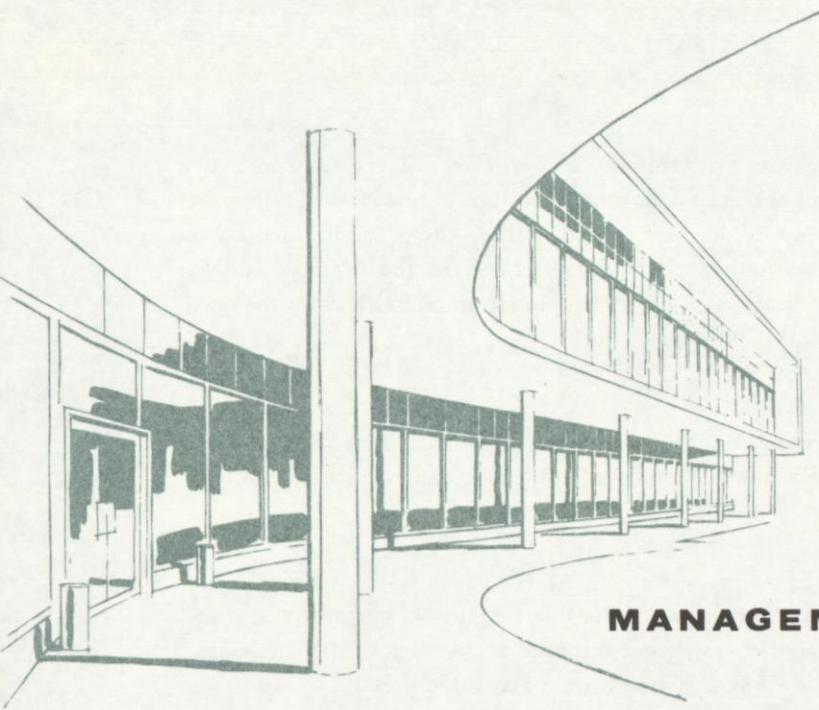
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ANNUAL MEETING

The Annual Meeting of stockholders will be held at 12:00 noon on Tuesday, March 26, 1957, at the Biltmore Hotel in New York City.





February 5, 1957

MANAGEMENT'S REPORT

To Jewel Shareowners and Jewel People:

The year 1956 was the best in Jewel's 58-year history. New records were established in sales, earnings for shareowners and earnings for Jewel people. In 1956, for the third successive year, earnings increased relative to sales. Since 1953 earnings have risen by 68% compared with a sales gain of 40%. Results for 1956 compared with 1955 are highlighted on the opposite page, and are described in greater detail in the body of this report.

1956 a Record Year

During the year basic studies were completed for the Food Stores and Home Service Routes Departments of the Company. As described more completely in THE YEAR IN REVIEW, these studies were used to project detailed development programs for the step-by-step growth of the Company through 1961. For the Food Stores we plan further substantial growth within present marketing territory, which is essentially metropolitan Chicago, and the extension of operations to additional area beyond this primary market. The Home Service Routes program calls for expansion in the number of routes in metropolitan areas, where operations are most profitable, and the discontinuance of operations in areas which offer less prospect of producing a satisfactory profit in the foreseeable future. The Home Service Routes Program will result in some net reduction in the number of routes in operation, but it is expected that profits of this department will show a rising trend.

Development Programs
Formulated Through 1961

Retaining Earnings
and Borrowing to
Supply Capital

Carrying out the Program For Growth through 1961 will require continued investment in additional working capital, as well as in new plant and equipment. We believe that under present conditions these requirements can largely be met by continuing to reinvest earnings in the business and by borrowing additional sums as required, keeping in mind at all times the need to maintain a balanced capital structure.

For 1957 . . .
Rising Sales and Costs

Because of the uncertainties of the future, such as inflationary pressures and world unrest, these plans are obviously flexible and can be changed as conditions dictate.

As we enter 1957, we observe no unfavorable reaction of customers to price levels, and we are experiencing good response to merchandising programs. Sales comparisons with a year ago continue favorable and this is also true of earnings.

However, costs of virtually everything we buy, use and sell are rising, reflecting the inflationary pressures which are a source of concern to everyone. While at this time there is every reason to believe that both sales and earnings will increase in 1957, these pressures may make it more difficult to continue to improve earnings in relation to sales.

We are confident that Jewel people, through their constant support of the Company's philosophy of Serving and Sharing, will meet our customers' demand for efficient distribution and pleasant shopping experiences.

K. L. Clements
President

For the Board of Directors:

J. L. Lending
Chairman

JEWEL'S DIRECTORS AND OFFICERS



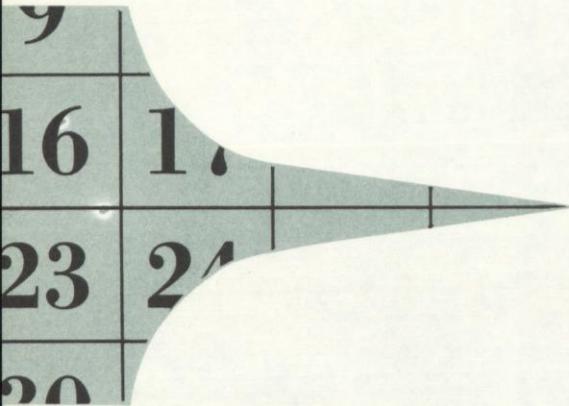
DIRECTORS

Back row, left to right: E. H. McDERMOTT, S. R. MILLER, W. A. GERBOSI,
J. M. FRIEDLANDER, H. J. SZOLD, A. V. JANNOTTA, E. E. HARGRAVE.

Front row, left to right: R. R. UPDEGRAFF, H. S. BOWERS (Director Emeritus),
F. J. LUNDING, G. L. CLEMENTS, J. M. O'CONNOR.

OFFICERS

F. J. LUNDING	<i>Chairman of Board of Directors</i>
G. L. CLEMENTS	<i>President</i>
J. M. FRIEDLANDER	<i>Chairman of Finance Committee</i>
E. E. HARGRAVE	<i>Vice Pres. Administration</i>
E. A. MILLER	<i>Vice Pres. Stores Merchandising</i>
M. S. MORSE	<i>Vice Pres. Stores Operating</i>
J. M. O'CONNOR	<i>Vice Pres. Imports</i>
F. L. SPREYER	<i>Vice Pres. Mfg., Warehousing and Transp.</i>
E. R. STANLEY	<i>Vice Pres. Routes</i>
R. D. STURTEVANT	<i>Vice Pres. Real Estate and Construction</i>
H. G. HOMUTH	<i>Treasurer</i>
H. O. WAGNER	<i>Controller</i>
R. W. WILLIAMSON	<i>General Counsel and Secretary</i>
E. T. VORBECK	<i>Gen. Attorney and Asst. Secretary</i>



THE YEAR IN REVIEW

Retail sales gained 11.4% in 1956, reaching \$334,755,447. All of the gain reflected greater physical quantities sold as retail prices averaged less than a year ago.

Stores Account
for Sales Increase

Food Store sales exceeded one quarter of a billion dollars, totaling \$257,001,731, a rise of 16.3% from 1955. All sales were derived from the Chicago Metropolitan Area.

Earnings Rise 19.4%

Sales of the Home Service Routes were \$77,753,716, a decline of 2.1% from 1955. The decrease reflects a reduction in the average number of routes in operation during 1956 under the program of shifting route operations from outlying scattered areas to concentrated metropolitan markets.

The Company's net earnings for 1956 rose to a record \$5,653,023, or 19.4% above the \$4,736,309 reported for 1955. After preferred dividend requirements, 1956 earnings amounted to \$4.16 per common share compared with \$3.49 in 1955.

Capital Expenditures
Financed Internally

Dividends on the common stock were paid at the quarterly rate of \$.50 per share in 1956, making a total of \$2.00 for the year. The balance of earnings was reinvested in the business, adding to the book value (i.e., the amount of assets) applicable to each share of stock.

Net additions to capital assets amounted to \$7,028,804 for the year, of which \$3,859,385 was for the Food Stores, \$1,262,383 for the Home Service Routes and \$1,907,036 for manufacturing facilities and other assets. Capital asset additions were provided in large part from retained earnings of \$2,817,385 and depreciation of \$3,077,397.



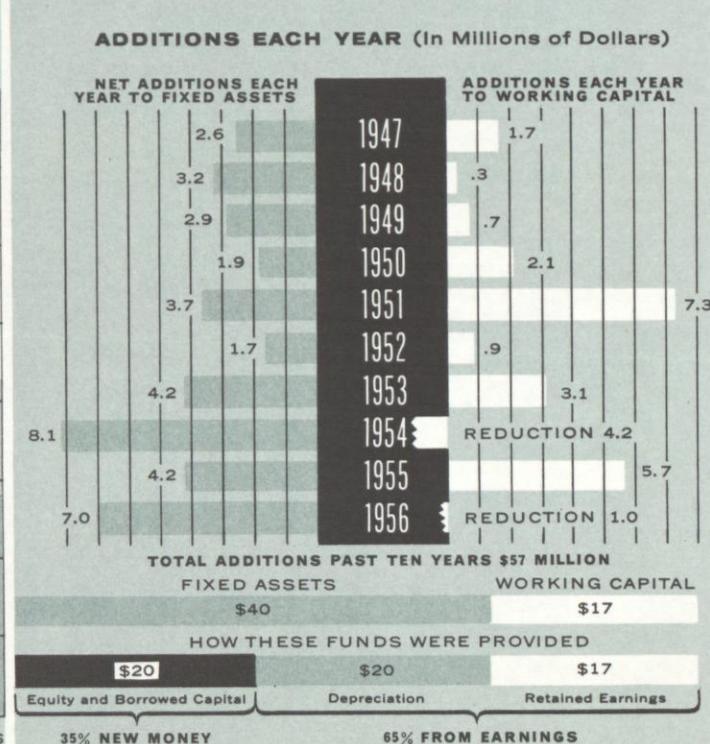
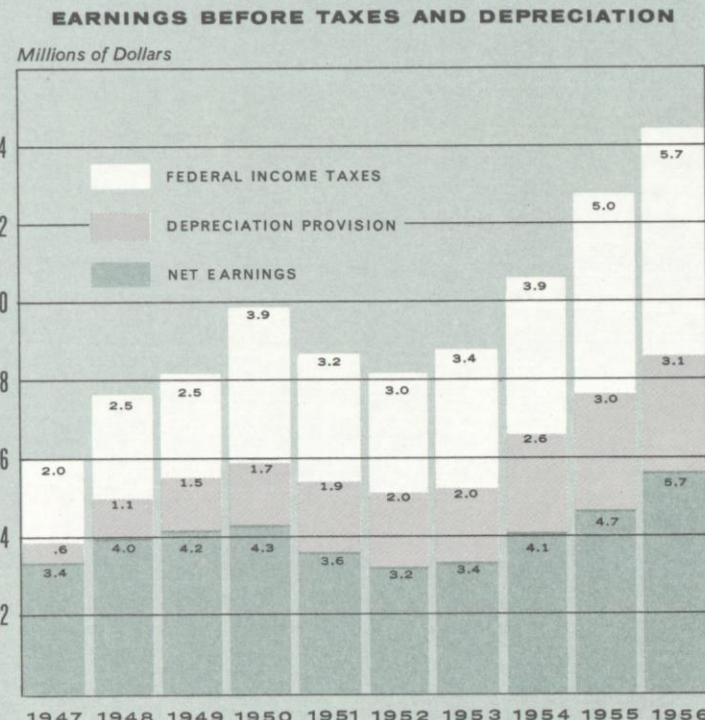
JOHN M. HANCOCK—It is with deep regret that we report the death of John M. Hancock on September 25, 1956. Since 1919 he had served Jewel faithfully through many difficult as well as prosperous years, for most of these years as Chairman of the Board. Always a source of inspiration, his many talents will be greatly missed in Jewel and on the national scene.

Working capital amounted to \$27,311,848 at year end and the ratio of current assets to current liabilities was 2.1 to 1. Inventories totaled \$25,261,775, representing 5.0 weeks' supply compared with 4.7 at the end of the previous year. Net accounts receivable were \$8,196,271, an increase of \$703,011. Receivables consist primarily of budget accounts for Home Service Route customers.

Inventories and Receivables Higher

Nineteen new food markets with parking lots, self-service meats and air conditioning were opened in 1956. Thirteen smaller stores were closed permanently and one other store which was damaged by fire was closed temporarily. These changes resulted in an increase of 10.7% in the number of square feet of store area. Of the 184 stores in operation at the close of the year, 151 had self-service meats, 153 were air conditioned and 109 had parking lots.

19 New Stores Opened



Routes Area
Distribution Centers
Developing

In the Home Service Routes, progress was made in the development of operations from Area Distribution Centers. These serve 150 or more routes compared with approximately 30 routes served from Branch Centers. Our first Area Distribution Center, at New Castle, Pennsylvania, began operations in the summer of 1955. During 1956 three additional Area Distribution Centers were opened. The first of these is located near Baltimore, Maryland; the second near Binghamton, New York; and the third Center began operations at Anaheim, California, on December 3, 1956.

Manufacturing and
Warehousing
Facilities Expanded

We will shortly have an additional Area Distribution Center operating from our Barrington, Illinois, plant and serving routes in the greater Chicago area. Construction of two other Centers, headquartered in Cincinnati, Ohio, and Detroit, Michigan, will be started in 1957.

During the year a number of additions to our Barrington manufacturing facilities were completed. These included soluble coffee equipment, a packaging line for aerosol sprays and an assembly line for baking mix kits. The items produced with this equipment are distributed primarily through our Home Service Routes, though some are also sold in the Food Stores.

At our Melrose Park, Illinois, plant site, substantial progress was made in constructing our new 65,000 square-foot bakery which is expected to be in operation some time this spring. Present plans are that it will be used primarily for the production of bread, doughnuts, rolls and buns. A 12,000 square-foot building for handling waste paper and other salvage materials is being constructed on property adjacent to our Ashland Avenue, Chicago, warehousing center for perishable merchandise.

Long-Term Planning
. . . Store Potential

From a long-term point of view the most significant development during the year was in the planning area, covering the basic factors from which were constructed long-run development programs for the Food Stores and the Home Service Routes. For the Food Stores this involved an intensive survey of the sales potential in the area lying within a radius of approximately 100 miles from downtown Chicago. This encompasses our present operating territory, which extends approximately 50 miles from downtown Chicago, plus the area lying an additional 50 miles beyond. The study pointed to potential Jewel sales in this area more than double present volume.

From this study there was developed a detailed year-by-year program for the Jewel Food Stores through 1961. For 1957 the program provides for the opening of 25 new stores, all of which are to be in present operating territory

within 50 miles of Chicago. It is expected that 12 of these new stores will replace smaller stores, resulting in a net addition of 13 stores during 1957. Thus far in 1957 one supermarket has been opened, 9 others are under construction and negotiations have been completed for 18 additional retail units. Of the latter, 3 are not expected to be ready for opening until 1958, when the program calls for opening more stores than in 1957.

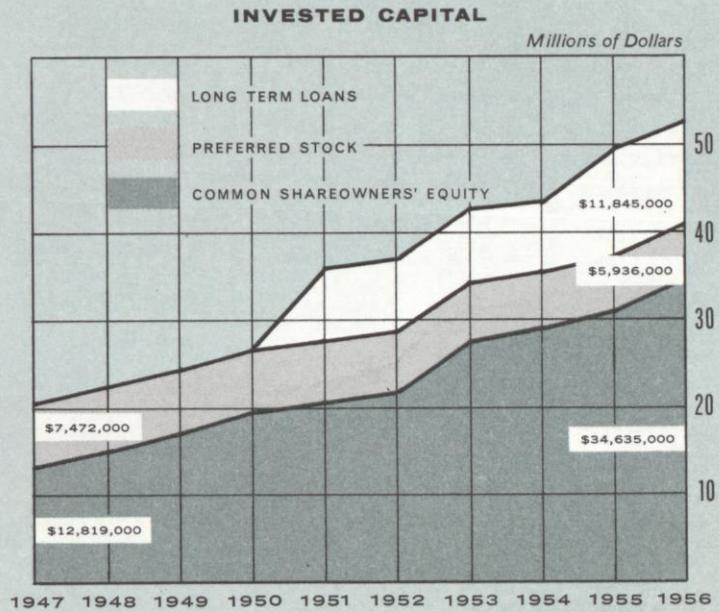
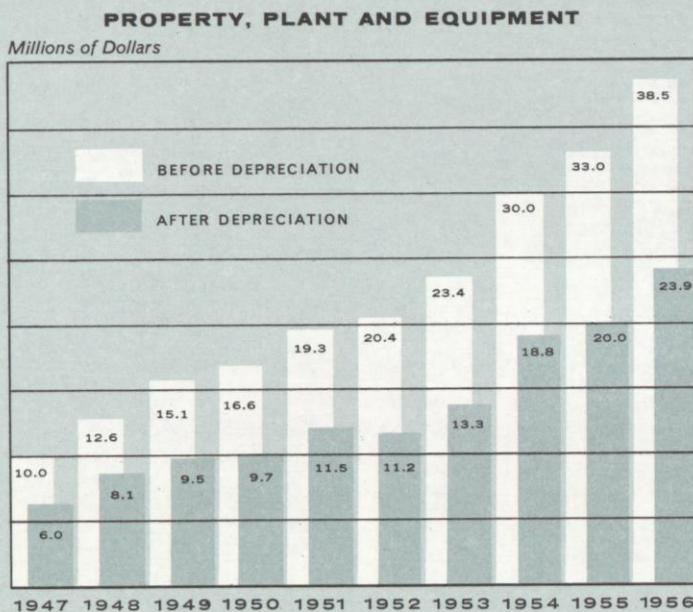
Five-Year Program . . .
25 Stores for 1957

While our specific program covers only the territory within approximately 100 miles of downtown Chicago, we look with favor on prospects in the whole midwest market and believe that additional expansion might be accomplished through the pooling of interests with other operators.

An extensive analysis of the Home Service Routes operations, covering both sales potential and operating expenses, was also completed in 1956. The analysis shows that routes located in metropolitan areas are substantially more profitable than those in less concentrated, lower-income territory. Also, the Company's coverage of metropolitan population is typically low in relation to present potential and, in all parts of the country, these suburban areas are growing rapidly from year to year.

Routes Program Keyed to Metropolitan Areas

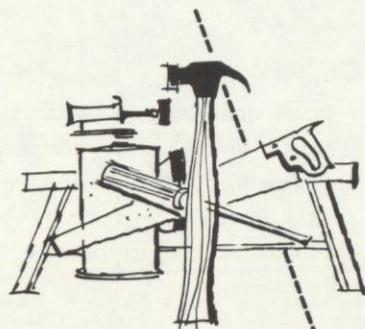
Accordingly, in some sections where the scattered nature of the territory or other factors offer little promise of obtaining satisfactory earnings, Home Service Route operations will be discontinued. At the same time, our program is keyed to the development of additional routes in metropolitan residential areas which can be served from Area Distribution Centers. Approximately 50 new routes will be added in such areas in 1957 and it is expected that the number of new routes will be even greater in later years.



**HOW OUR
1956
SALES DOLLAR
WAS DIVIDED**



2.2¢
Federal, state and local taxes



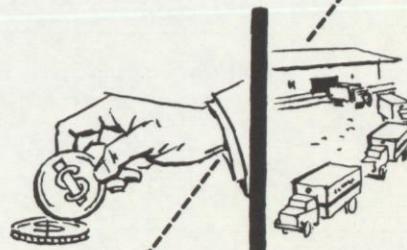
1.2¢
Depreciation, maintenance
and repairs



80.6¢
Farmers, processors, suppliers,
landlords, interest, services
and doubtful accounts



14.3¢
Jewel people, including
social security taxes



1.7¢
Net earnings available for
dividends and reinvestment in
the business

INCOME ACCOUNT

	52 WEEKS ENDED DEC. 29, 1956	52 WEEKS ENDED DEC. 31, 1955
Sales and Revenues:		
Retail sales.....	\$334,755,447	\$300,375,379
Other sales and revenues.....	<u>1,185,509</u>	<u>1,160,906</u>
Total sales and revenues.....	<u>335,940,956</u>	<u>301,536,285</u>
Cost of Doing Business:		
Paid to or for the benefit of employees:		
Payrolls.....	45,351,077	41,558,720
Social security taxes.....	949,497	856,205
Contribution to Jewel Retirement Estates.....	<u>1,861,846</u>	<u>1,559,083</u>
Total.....	<u>48,162,420</u>	<u>43,974,008</u>
Products, materials, services, rents and interest.....	270,088,029	241,701,651
Depreciation.....	3,077,397	2,990,215
Maintenance and repairs.....	1,035,735	1,062,281
Doubtful accounts.....	733,272	627,806
Federal income taxes.....	5,698,000	4,997,000
State, local and all other federal taxes.....	<u>1,493,080</u>	<u>1,447,015</u>
Total cost of doing business.....	<u>330,287,933</u>	<u>296,799,976</u>
Net Earnings for the Year.....	5,653,023	4,736,309
Dividends on preferred stock.....	<u>231,312</u>	<u>246,498</u>
Earnings applicable to common stock.....	\$ 5,421,711	\$ 4,489,811
Earnings per share of common stock.....	<u>\$ 4.16</u>	<u>\$ 3.49</u>

See accompanying notes to financial statements

BALANCE SHEET

	<u>DEC. 29, 1956</u>	<u>DEC. 31, 1955</u>
ASSETS		
Current Assets:		
Cash.....	\$ 7,461,494	\$ 6,675,197
Marketable securities.....	9,185,159	10,410,927
Accounts receivable.....	8,196,271	7,493,260
Inventories.....	25,261,775	21,731,247
Equity in retail store properties held for sale.....	1,253,736	651,705
Prepaid expenses and supplies.....	<u>809,498</u>	<u>975,811</u>
Total current assets.....	<u>52,167,933</u>	<u>47,938,147</u>
Deferred Charge—		
Premiums Advanced to Customers.....	1,628,493	1,733,577
Other Investments.....	2,000	111,269
Property, Plant and Equipment.....	23,944,891	19,993,484
Goodwill.....	<u>1</u>	<u>1</u>
	<u>\$77,743,318</u>	<u>\$69,776,478</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses.....	\$14,176,098	\$ 9,765,322
Dividends payable.....	55,349	61,823
Accrued federal, state and local taxes.....	6,458,528	6,096,484
Accrued payrolls and profit sharing.....	3,948,710	3,478,530
Long term indebtedness due within one year.....	<u>217,400</u>	<u>217,400</u>
Total current liabilities.....	<u>24,856,085</u>	<u>19,619,559</u>
Long Term Indebtedness, less due within one year.	<u>11,845,200</u>	<u>12,302,600</u>
Deferred Federal Income Taxes.....	<u>502,834</u>	<u>240,369</u>
Shareowners' Investment:		
Preferred stock.....	6,900,000	6,900,000
Common stock.....	12,125,188	11,355,925
Accumulated earnings—reserved for self-insured losses and general contingencies.....	1,000,000	1,000,000
Accumulated earnings—unappropriated.....	21,477,832	18,660,447
Preferred stock in treasury.....	<u>(963,821)</u>	<u>(302,422)</u>
Total shareowners' investment.....	<u>40,539,199</u>	<u>37,613,950</u>
	<u>\$77,743,318</u>	<u>\$69,776,478</u>

ACCUMULATED EARNINGS (Unappropriated)

Reinvested in the Business

Balance, December 31, 1955..... \$18,660,447

Net earnings for the year, from Income Account..... 5,653,023
24,313,470

Deduct:

Dividends to owners of the business:
Preferred shareowners—\$3.75 per share..... \$ 231,312
Common shareowners—\$2.00 per share..... 2,604,326 2,835,638
Balance, December 29, 1956..... \$21,477,832

SOURCE AND USE OF FUNDS Year Ended December 29, 1956

Source of Funds:

Net earnings for the year..... \$ 5,653,023
Provision for depreciation..... 3,077,397
Increase in current and tax liabilities..... 5,498,991
Sale of common stock..... 769,263
\$14,998,674

Use of Funds:

Additions to property, plant and equipment
(Less book value of sales and retirements)..... \$ 7,028,804
Increase in inventories..... 3,530,528
Decrease in long term indebtedness..... 457,400
Purchases of Jewel preferred stock..... 661,399
Dividends to owners of the business..... 2,835,638
Net increase in all other assets..... 484,905
\$14,998,674

\$ 52,360
51,382
56,023
62,400
86,914

128,484
150,600

10,
11,846
15,
70.

NOTES TO FINANCIAL STATEMENTS -----

MARKETABLE SECURITIES

Marketable securities have been valued at the lower of cost or market.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Items on the balance sheet have been reduced by an allowance for doubtful accounts as follows:

	DEC. 29, 1956	DEC. 31, 1955
Accounts receivable.....	\$322,182	\$303,049
Premiums advanced to customers.....	<u>75,235</u>	<u>70,934</u>

INVENTORIES

Inventories are valued at the lower of cost or market. Cost, except for green (unroasted) coffee, was determined on the general principle of "first-in, first-out." Green coffee inventory cost is determined in accordance with the "last-in, first-out" (LIFO) method.

Inventories at year end consisted of the following:

	DEC. 29, 1956	DEC. 31, 1955
Green coffee and other raw materials.	\$ 2,421,754	\$ 2,360,018
Finished merchandise.....	<u>22,840,021</u>	<u>19,371,229</u>
	<u>\$25,261,775</u>	<u>\$21,731,247</u>

EQUITY IN RETAIL STORE PROPERTIES HELD FOR SALE

The Company has retail food stores in various stages of completion, titles to which are held in land trusts. The costs financed out of corporate funds amounted to \$1,253,736 at December 29, 1956. The balance of the costs was financed through real estate mortgages aggregating \$366,990, each of which is a lien or liability only against the specific piece of property involved.

PROPERTY, PLANT AND EQUIPMENT

The Company leases all of its retail food stores and nearly all of its branch office-warehouse properties. Store lease commitments do not exceed ten years and branch office-warehouse leases generally do not extend beyond ten years. Leases do not include provision for purchase of the subject properties nor, with one exception, the assumption of ownership obligations. The annual minimum commitments for leases expiring beyond five years total approximately \$1,440,954. Rentals for all leased properties in 1956 totaled \$2,420,845.

A schedule of property, plant and equipment, together with related allowances for depreciation, is shown in the table below:

	DEC. 29, 1956	DEC. 31, 1955
Cost:		
Land.....	\$ 1,115,066	\$ 939,887
Buildings.....	9,538,214	8,633,187
Motor vehicles.....	8,834,233	8,149,289
Equipment.....	19,065,628	15,246,348
Total cost.....	<u>38,553,141</u>	<u>32,968,711</u>
Allowance for depreciation:		
Buildings.....	2,446,272	2,203,473
Motor vehicles.....	4,795,468	4,467,927
Equipment.....	7,366,510	6,303,827
Total allowance for depreciation	<u>14,608,250</u>	<u>12,975,227</u>
Book value of property, plant and equipment.....	<u>\$23,944,891</u>	<u>\$19,993,484</u>

LONG TERM INDEBTEDNESS

The Company is indebted to two insurance companies for \$5,000,000 on its 2.85% unsecured notes, payable in equal annual installments beginning February 1, 1962, with a final maturity on February 1, 1971.

It is indebted to the same insurance companies for an additional \$4,782,600 on its 3.75% unsecured notes. These notes are payable in annual installments of \$217,400 beginning November 1, 1956, except that no installment will be due on November 1, 1960, with a final payment of \$434,600 at maturity on November 1, 1978.

The Company is also indebted to a group of its principal banks for \$2,280,000. This term loan is unsecured, the interest rate ranges between 2.25% and 2.75%, and terms call for repayment of \$240,000 annually through 1960, with a final payment of \$1,560,000 in 1961. The annual repayment due on January 5, 1957 was made December 27, 1956.

Interest on long term indebtedness totaled \$396,806 in 1956.

DEFERRED FEDERAL INCOME TAXES

Provision for federal income taxes reflects the use of straight line depreciation for accounting purposes. Higher depreciation under alternative methods permitted by the Internal Revenue Code of 1954 is used for tax purposes. Deferred federal income taxes represents the accumulated amount of tax deferrals resulting therefrom and will be used in years when depreciation claimed for tax purposes is less than that recorded in the accounts.

PREFERRED STOCK-STOCK IN TREASURY

Preferred stock is 3.75% cumulative \$100 par value, and 69,000 shares were authorized and issued at December 29, 1956.

Under the sinking fund provisions relating to the preferred stock, the Company must acquire annually on or before each June 30th at least 1,500 shares. On December 29, 1956, there were 9,961 shares of preferred stock in the treasury valued at the acquisition cost of \$963,821, of which 8,461 shares are earmarked for sinking fund requirements through June 30, 1958 and part of the 1959 requirements.

COMMON STOCK

Common stock of \$1 par value per share consists of 1,800,000 authorized shares. At December 29, 1956, there were 1,304,449 shares issued and outstanding.

During 1956, 4,824 shares were issued to employees under terms of the Company's employee stock purchase plan and the proceeds of \$210,663 have been credited to the Common Stock Account. Also, 12,000 shares were issued to profit sharing retirement trusts. These shares were valued at 95% of market price at date of issue, an aggregate of \$558,600.

At December 29, 1956, 5,415 additional shares were under contract to employees.

RESTRICTED STOCK OPTION PLAN

A restricted stock option plan adopted in 1956 provides for the issuance of options to certain key personnel to purchase not in excess of 75,000 shares of the Company's common stock at prices not less than 95% of the market value on the date granted. At December 29, 1956, options to purchase 50,000 shares had been granted to eight officers, exercisable as follows: 25% after March 26, 1957; an additional 25% after March 26 of each of the years 1958, 1959 and 1960. All options must be exercised within ten years from dates issued.

ACCUMULATED EARNINGS (Unappropriated)

Under the terms of note agreements with insurance companies and the preferred stock provisions of the certificate of incorporation (the terms of the note agreements governing) \$11,169,181 is available as of December 29, 1956 for cash dividends on common stock.

ACCOUNTANTS' REPORT

To the Board of Directors,

JEWEL TEA CO., INC.:

Chicago, Illinois
February 1, 1957

We have examined the balance sheet of Jewel Tea Co., Inc., as of December 29, 1956, and the related statements of income, accumulated earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, accumulated earnings and source and use of funds present fairly the financial position of Jewel Tea Co., Inc., at December 29, 1956, and the results of its operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Nixon, Bailey & Smart

Certified Public Accountants

OPERATING RESULTS

YEAR	RETAIL SALES*	PAYMENTS TO OR FOR EMPLOYEES*	DEPRECIATION PROVISION*	NET EARNINGS*	PER COMMON SHARE	
					NET EARNINGS	DIVIDENDS
1942	\$ 52,360	\$ 8,773	\$ 575	\$ 1,349	\$ 1.02	\$.90
1943	51,382	9,371	541	1,156	.85	.57½
1944	56,023	10,545	424	1,393	1.06	.70
1945	62,400	11,846	235	1,506	1.16	.75
1946	86,914	15,455	287	2,840	2.36	1.37½
1947	128,484	20,302	604	3,381	2.79	1.50
1948	150,609	23,591	1,105	4,013	3.33	1.57½
1949	166,108	25,697	1,518	4,172	3.47	1.70
1950	185,673	28,099	1,663	4,313	3.58	1.60
1951	205,866	30,608	1,909	3,584	2.94	1.75
1952	222,594	33,452	2,033	3,159	2.56	1.75
1953	238,660	36,293	2,026	3,373	2.53	1.77½
1954	270,551	40,808	2,567	4,113	3.01	1.80
1955	300,375	43,974	2,990	4,736	3.49	2.00
1956	334,755	48,114	3,077	5,653	4.16	2.00

FIFTEEN YEAR REVIEW

FINANCIAL GROWTH

AT YEAR END	WORKING CAPITAL*	RATIO: CURRENT ASSETS TO CURRENT LIABILITIES	PROPERTY, PLANT AND EQUIPMENT* (AT BOOK VALUE)	SHAREOWNERS' INVESTMENT*	TOTAL ASSETS*
1942	\$ 8,704	4.5 to 1	\$ 4,133	\$13,090	\$16,504
1943	9,311	4.9 to 1	3,606	13,368	16,668
1944	9,951	3.9 to 1	3,235	13,729	18,119
1945	10,478	3.1 to 1	3,170	14,103	19,882
1946	10,584	2.5 to 1	3,965	15,121	22,976
1947	12,317	2.5 to 1	6,010	19,319	28,253
1948	12,618	2.3 to 1	8,104	21,325	32,321
1949	13,327	2.3 to 1	9,457	23,266	34,911
1950	15,459	2.0 to 1	9,727	26,540	41,456
1951	22,808	2.7 to 1	11,523	27,654	49,313
1952	23,757	2.8 to 1	11,163	28,575	49,472
1953	26,865	2.7 to 1	13,318	33,987	57,634
1954	22,651	2.2 to 1	18,824	35,650	61,725
1955	28,319	2.4 to 1	19,993	37,614	69,776
1956	27,312	2.1 to 1	23,945	40,539	77,743

*In thousands of dollars

A QUARTER CENTURY OF SERVING...

AND SHARING

25th Anniversary
Jewel Food Stores

XXV

On March 12, 1957, Jewel will celebrate the Twenty-Fifth Anniversary of its entry into the retail food store business. On March 12, 1932, Jewel purchased, principally from Loblaw Grocerias, Inc., 81 stores located in the Chicago area, with annual sales of less than \$4½ million. Jewel Food Stores closed the year 1956 with 184 stores in the same operating area and a volume of \$257,001,731, or more than 50 times the 1932 rate.

Over this twenty-five-year span, tons of merchandise handled have increased more than twenty-fold, employment has expanded ten-fold,

and there has been a four-fold increase in both warehouse space and store area. Sales per square foot of store area have increased from less than \$.20 per week in 1932 to \$3.20 per week in 1956.

This statistical record, with the operating efficiencies and customer acceptance it implies, has been made possible by following a philosophy of Serving and Sharing. By Serving we mean acting first in the long-run interest of customers, satisfying their wants and desires, and placing the immediate interest of Jewel people and Jewel shareowners second.



In sharp contrast to the 4,000 square foot Jewel store of 25 years ago, the up-to-the-minute "Anniversary Store" pictured below, containing 22,500 square feet of floor space and providing parking for 200 cars, will be opened in Chicago, Illinois this fall.



An example of this approach in the past 25 years occurred in meat merchandising. In the latter 1930's, after careful study of the practices in the meat trade which irritated customers, we adopted a new approach to meat operations. This involved setting up and adhering to definite quality standards (such as choice grade or better for beef), and establishing new pricing policies and cutting practices (including Jewel Extra Value Trim) designed to provide attractive values and promote a balanced flow of different items to minimize waste. During World War II, Jewel instituted a Fair Share Meat Policy and rigidly maintained quality standards throughout the period of shortage. In the period since World War II, removing customer irritations at the meat counter by being the first in Chicago to adopt self-service meat markets, was a further step in strengthening the long-run acceptance of Jewel meats.

The response of customers to these actions is evident in the rise of Jewel meat sales from nothing in 1932 to 166 million pounds in 1956. Today customers cite "Jewel Meat" as one of the main reasons for shopping at Jewel. This example in just one area of merchandising is typical of many large and small actions which together have contributed to customer acceptance of Jewel as a Better Place to Trade and have improved operating efficiency substantially.

In the past 25 years operating expenses per dollar of sales have been cut almost in half. Such improvement in operating efficiency and merchandising practices have made possible the second part of the Jewel philosophy—Sharing. Customers have shared through more efficient, thoughtful service and through better value. Jewel people, beyond receiving the satisfaction that comes with accomplishment and service, have shared through a reduction in working hours and a four to five-fold expansion in average weekly earnings, which substantially exceeds the increase in the Cost of Living. In addition, through profit sharing and their own contributions, Jewel people have accumulated individual credits in a trust fund totaling over \$23 million, which is available for retirement purposes.

Jewel stockholders have also shared. When the Food Stores were acquired in 1932 they were operating at a loss. Last year they contributed substantially to Company earnings of \$4.16 per common share, which was more than four times 1932 earnings per share.

Because the Jewel Crusade to Serve and Share has been so fundamental to our progress in the past, we plan to observe the Twenty-Fifth Anniversary of Jewel Food Stores by re-examining everything we do, taking a fresh look at how our operations can be further improved to the mutual benefit of Jewel customers, Jewel people and Jewel shareowners.

Architectural drawing of new 65,000 square-foot bakery located in Melrose Park, Illinois—expected to be in operation this spring.



Jewel Tea Co., Inc.

A New York Corporation

PRINCIPAL OFFICES

Chairman, Board of Directors and Chairman, Finance Committee, *135 South LaSalle Street, Chicago 3, Illinois*
President and Executive, *1955 West North Avenue, Melrose Park, Illinois*
Jewel Food Stores, *3617 South Ashland Avenue, Chicago 9, Illinois*
Home Service Routes, *Jewel Park, Barrington, Illinois*
Importing, *99 Wall Street, New York City*

STOCK LISTING

\$1 Par Common Stock and *3 3/4%* Cumulative Preferred
Stock listed on the New York Stock Exchange

TRANSFER AGENT

Manufacturers Trust Company, *55 Broad Street, New York 15, N. Y.*

REGISTRAR

Bankers Trust Company, *46 Wall Street, New York 15, N. Y.*

*This report is submitted to the shareowners of the Corporation for their information and
is not intended to be used in connection with the sale of or offer to sell any securities, nor is it
intended to be information required to be included in a prospectus within the meaning of
the provisions of the Federal Securities Act of 1933, as amended.*

1956 Annual Report, Jewel Tea Co., Inc., Melrose Park, Ill.

